

Anticipated acquisition by Exponent Private Equity LLP of the consumer magazines business of BBC Worldwide

ME/5154/11

The OFT's decision on reference given on 17 October 2011. Full text of decision published 17 November 2011.

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**Please note that the square brackets indicate figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.**

**PARTIES**

1. Vancouver Bidco Limited ('**Vancouver**') is a newly incorporated company owned by Exponent Private Equity Partners II, L.P, a fund ultimately managed by Exponent Private Equity LLP ('**Exponent**'). Exponent is a private equity investment firm that invests through managed funds in UK headquartered businesses.<sup>1</sup>
2. Exponent has a controlling interest in Magicalia Media Limited ('**Magicalia**'), a publisher of a number of UK special interest consumer magazines that generated a turnover of £[ ] million in 2010. Exponent also holds a minority [ ] per cent shareholding in MyHobbyStore Group Limited whose wholly-owned subsidiary, MyHobbyStore Limited ('**MyHobbyStore**'), is also active as a publisher of UK special interest consumer magazines. MyHobbyStore generated turnover in 2010 of £4.9 million.
3. BBC Worldwide Limited ('**BBCW**') is a commercial subsidiary of the BBC<sup>2</sup> responsible for a range of commercial activities including the target

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<sup>1</sup> Exponent has an interest in Group GTI Limited that has a limited publishing business through subsidiaries held in the UK and Germany. This business does not publish consumer magazines, which overlap with the Target Business and hence is not considered further in the decision.

<sup>2</sup> The BBC has two discrete functions, both of which are overseen by the Executive Board: licence fee-funded activities; and profit-making activities, comprising three distinct commercial subsidiaries: BBCW, BBC World News Limited and BBC Studios and Post Production Limited.

business (the '**Target Business**'), which comprises the consumer magazines business, as well as BBCW's 50 per cent shareholding in the Dovetail newspaper and magazines subscriptions management business.

4. The Target Business also has a 14 per cent shareholding ([ ] per cent voting interest) in a UK-only consumer magazines distribution business, Frontline Limited ('**Frontline**') and Frontline, in turn, has a 50 per cent shareholding in another UK-only consumer magazines distribution business, Seymour Distribution Limited ('**Seymour Distribution**') and 100 per cent shareholding in an international consumer magazines distribution business, Seymour International Limited ('**Seymour International**'). The UK turnover of the Target Business was £[ ] million in 2010.

## TRANSACTION

5. Exponent will acquire the whole of the consumer magazines business of BBCW,<sup>3</sup> except for the rights to publish a limited number of special interest consumer magazine titles that the Target Business will instead publish on behalf of BBCW pursuant to a proposed [ ] year contract publishing arrangement,<sup>4</sup> for a consideration of £[110-120] million.
6. The transaction is structured by way of a number of agreements that include:
  - a. an agreement for the sale and purchase (SPA) of the Target Business, containing rights to certain magazine titles and other key assets of the consumer magazines business<sup>5</sup>
  - b. a licence with a 40 year term ([ ]) for the Target Business to publish on its own account certain magazine titles, for example, [ ] (**the '40-year licence'**), and

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<sup>3</sup> Including the associated websites. A full list of titles is included at Annex 1.

<sup>4</sup> This arrangement relates to a limited number of additional consumer magazines titles retained by BBCW including Top Gear, Lonely Planet, BBC Good Food and Easy Cook. [ ]. The parties stated that the contract publishing titles did not form part of the relevant merger situation. The OFT notes in any event that Exponent does not have any titles that overlap in terms of subject matter with the contract publishing titles; as such, they are not discussed further in the decision.

<sup>5</sup> Exponent will acquire employees, advertiser contacts databases, certain archive databases, subscriber lists, trade mark licences, copyright, know-how, goodwill, debtors, stock and other assets that are currently used exclusively for the consumer magazines business by BBCW.

- c. a 10 to 20 year licence [ ], for the Target Business to publish on its own account certain magazine titles, for example, [ ], pursuant to which the Target Business will pay BBCW an annual licence fee of [ ] (the '10/20 year licence').<sup>6,7</sup>

## JURISDICTION

7. The OFT notes that this transaction incorporates a number of agreements and has specifically considered whether the licence agreements should be considered to be part of the relevant merger situation. The OFT has focused in particular on the 10/20 year licence agreement, given that the duration is clearly materially shorter than the 40 year licence agreement.
8. The definition of a 'relevant merger situation' in the Enterprise Act 2002 (the Act) covers several different kinds of transaction and arrangement.<sup>8</sup> As with other parts of the jurisdictional analysis,<sup>9</sup> the OFT will look at the substance of the arrangement rather than purely its legal form. The OFT notes in relation to this transaction that:
  - each of the 10/20 year licensed titles has its own subscriber/consumer and advertiser customer bases and generates its own revenue

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<sup>6</sup> Exponent will be required to comply with certain supervision by BBCW and certain BBCW guidelines in relation to editorial standards and content and the ongoing suitability of the titles to carry the BBC branding. However, these requirements do not undermine the OFT's conclusion that Exponent will acquire a controlling interest in the Target Business, including the titles transferred under the 10/20 year licence.

<sup>7</sup> The parties confirmed that BBCW currently publishes [ ] partworks: [ ] The parties confirmed that [ ] partwork title overlaps with any partworks published by Magicalia or MyHobbyStore.

<sup>8</sup> For example, a company that buys or intends to buy a majority shareholding or a significant minority shareholding in another company is the most obvious example, but the transfer or pooling of assets or the creation of a joint venture may also give rise to merger situations.

<sup>9</sup> See *Mergers: Jurisdictional and procedural guidance* June 2009 paragraph 3.9. In 'AAH Holdings plc/Medicopharma NV', Cm 1950 (May 1992), AAH argued that only 'bare assets' had been included in the transaction. However, the MMC found that what AAH acquired under the arrangements amounted to at least a significant part of the activities of the business carried on by Medicopharma. As a result the MMC concluded that a merger situation had been created (paragraph 1.3). In ME/3390/07, 'Anticipated acquisition by Cineworld Group plc, through its subsidiary Cine-UK Limited, of the cinema business operating at the Hollywood Green Leisure Park, Wood Green', the OFT considered that the lease of the Premises to CineWorld by Standard Life has the same competitive effect as would a direct assignment of the existing lease (with the transfer of assets, staff and goodwill) from Hoyts to Cineworld (paragraph 8).

- the SPA will transfer certain assets that are specific to the 10/20 year licensed titles which will be used exclusively by Exponent in order to publish and exploit those titles. For example, Exponent will acquire the debtors, business claims, website databases, archive material and the editorial and other employees (which will be transferred according to TUPE<sup>10</sup>) relating to those titles
  - the 10/20 year licence will transfer the remaining specific assets needed by Exponent to publish and exploit the relevant magazine titles, for example, the goodwill, know-how, subscriber lists and the rights to develop, produce, edit, publish and distribute those titles, and
  - Exponent will be responsible for all pricing and commercial decisions relating to the 10/20 year licensed titles.
9. In light of the above, the OFT considers that the overall effect of the arrangements in respect of the titles licensed for 10/20 years is that Exponent will be obtaining control over the business relating to these titles in substantially the same way as for the titles transferred under the SPA and the 40-year licence. In terms of the period of the licence, the OFT notes that the Act does not define the period of time that a merger situation should last in order for it to qualify as a relevant merger situation. In this case, the OFT considers that the licence duration is of a sufficient period of time for the 10/20 year titles to be considered to have ceased to be distinct from Exponent and its current portfolio interests and hence that the essential competitive features that would be transferred in an outright disposal are being transferred from BBCW to Exponent.
10. The OFT therefore considers that as a result of this transaction Exponent and the Target Business will cease to be distinct. The UK turnover of the Target Business (that is, the turnover relating to the consumer magazines and distribution business of BBCW that will be transferred, that is, excluding the contract publishing titles retained by BBCW) exceeds £70 million, so the turnover test in section 23(1)(b) of the Act is satisfied. The OFT therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

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<sup>10</sup> Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006/246).

## FRAME OF REFERENCE

11. The parties overlap in the publication and sale of consumer magazines, specifically, the publication of print-based special interest consumer magazines focused on gardening<sup>11</sup> and crafts,<sup>12</sup> as well as associated websites. There are potential (though not currently active) vertical relationships between the parties in both the distribution and subscription management of consumer magazines.

### Publication of print-based consumer magazines

12. The OFT considers the product scope serves only to provide a framework through which the competitive effects of the merger can be assessed.<sup>13</sup> In this case, given the highly differentiated nature of magazine titles, the constraints that each title exerts on another will likely vary considerably, irrespective of the exact product scope. Any competition concerns that arise from the merger will not be determined by whether the merger is framed as one resulting in a high concentration of suppliers within a narrowly defined relevant market or as one involving the loss of close, direct competition between two suppliers in a more broadly defined relevant market with differentiated publishers.<sup>14</sup>
13. The OFT has therefore analysed the effect of this transaction on both a broad basis (at publishing house, segment and sub-segment levels) and, more narrowly, assessing the extent to which the overlapping titles are close competitors.

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<sup>11</sup> The Target Business publishes *Gardens Illustrated*, *Gardeners' World*, as well as the associated websites and the currently dormant title *Easy Gardening*; Exponent publishes through its subsidiary MyHobbyStore, *More From Your Garden* and the website [www.gardening.co.uk](http://www.gardening.co.uk).

<sup>12</sup> The Target Business publishes *Cardmaking and Papercraft*, *Quick Cards Made Easy*, *Vintage Cards*, the associated websites (as well as [www.craftextra.co.uk](http://www.craftextra.co.uk)) in the area of craft, and numerous needlecraft, sewing and knitting magazines; Exponent publishes through its subsidiary MyHobbyStore *Popular Crafts* and *Popular Patchwork* and associated websites in the area of crafts.

<sup>13</sup> See paragraph 5.2.1 of the *Merger Assessment Guidelines*, Joint publication of the Competition Commission and the OFT.

<sup>14</sup> Consistent with paragraph 5.2.2 of the *Merger Assessment Guidelines*, Joint publication of the Competition Commission and the OFT ('the Authorities may take into account constraints outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others.').

14. The OFT's previous decisions in the publication of consumer magazines have generally assessed the merger at a national UK level, based on the fact that merging parties' titles were sold throughout the UK and were typically targeted at a UK audience.<sup>15</sup> The OFT has received no evidence to suggest departing from such an approach and has therefore considered the transaction at a UK level.
15. Given that the merger does not cause competition concerns even on the narrowest basis, it is not necessary to conclude on the precise product or geographic scope.

#### Consumer magazines distribution

16. The OFT has in the past considered magazine publishing and magazine distribution as distinct.<sup>16</sup> The parties submitted that the potential vertical relationship between Magicalia and MyHobbyStore and the Target Business (as regards consumer magazines distribution in the UK through Frontline and/or Seymour Distribution) should be considered in the context of an overall product market for the distribution of all consumer magazines in the UK.
17. Distributors do not typically, according to the parties, specialise in particular types of consumer magazine/wholesaler or retailer, but generally distribute/sell a broad range of consumer magazines to a variety of consumers, and as such no distinction should be drawn between consumer and special interest consumer magazines, or by segment or sub-segment and/or wholesaler or retailer-type.
18. Similarly, the parties consider that the potential vertical relationship with the Target Business as regards UK-published consumer magazines distribution outside the UK (through Seymour International) and the UK consumer magazines publishing activities of Magicalia and MyHobbyStore should be considered in the context of an overall product market or markets for the distribution of UK-published consumer magazines outside the UK.

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<sup>15</sup> See, for example, *Anticipated acquisition by Magicalia Publishing Limited of Good Woodworking magazine from Future Publishing Limited*, OFT, 4 April 2007.

<sup>16</sup> See *Newspaper and magazine distribution in the United Kingdom*, OFT1025, October 2008.

19. Given that the merger does not give rise to competition concerns even on a narrow basis, it is not necessary to conclude on the precise product or geographic scope in relation to consumer magazines distribution.

#### Consumer magazines subscriptions management

20. The parties consider that the potential vertical relationship with the Target Business as regards subscriptions management services (through Dovetail) should be considered in the context of an overall product market at least as wide as the provision of UK-published consumer magazines subscriptions management services on a worldwide basis.
21. The parties submitted that providers of subscriptions management services do not, typically, specialise in particular types of consumer magazines and therefore no further distinction should be drawn between consumer and special interest consumer magazines, nor by segment or sub-segments. The parties submitted that the product scope is the provision of consumer magazines subscriptions management services.
22. The parties submitted that subscriptions management companies typically handle subscriptions on a worldwide basis.
23. Given that the merger does not give rise to competition concerns even on a narrow basis, it is not necessary to conclude on the precise product or geographic scope in relation to consumer magazines distribution.

## **HORIZONTAL ISSUES**

#### Publication of all print-based and special interest consumer magazines

24. The Target Business is the third largest publisher of print-based consumer magazines in the UK by total copies sold and fourth largest by revenue generated from newstrade sales,<sup>17</sup> according to the parties, currently publishing 51 separate print-based consumer magazine titles. The Target Business has an estimated [five-10] per cent share of print-based consumer magazines by volume and value. The Target Business's most popular

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<sup>17</sup> Print-based consumer magazines sold via newsagents and other retailers.

magazine title is the print-based consumer magazine title, *Radio Times*,<sup>18</sup> which sells nearly 39 million copies per annum through newstrade in the UK and over nine million directly to subscribers (approximately half of BBCW's sales of all consumer magazines by volume).

25. Magicalia and MyHobbyStore together publish 20 print-based consumer magazine titles in the UK and account for less than [zero-five] per cent of the total number of copies that were sold in 2010 and revenue generated from newstrade sales in the UK. The merger will therefore result in a minimal increment with the merged entity accounting for an estimated [five-10]-[five-10] per cent of sales of all print-based consumer magazines by volume and value.
26. There are a number of large publishing houses that will continue to provide a sufficient competitive constraint on the merged entity post-transaction, including Bauer, the leading publisher with 95 print-based consumer magazine titles, accounting for approximately [20-30] per cent of all copies sold in the UK and IPC Media, the second largest publisher, publishing 74 titles accounting for [20-30] per cent of copies sold.
27. UK special interest consumer magazines publishing in the UK is a sub-set of the overall sector in the UK for consumer magazines publishing. The competitive landscape is broadly similar to that of the overall sector with Bauer and IPC Media the leading publishers. Combined, the merged entity will account for less than [five-10] per cent of sales of print-based special interest consumer magazines by number of copies circulated and revenue generated through newstrade in the UK. The merger will result in a minimal increment.
28. As a result, the OFT does not consider there to be a realistic prospect of a substantial lessening of competition at the publishing house level or in the publication of special interest consumer magazines.

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<sup>18</sup> [ ]

## Print-based gardening magazines

### Shares of supply

29. *Gardeners' World*, published by the Target Business on a monthly basis, has a circulation of approximately 2.6 million copies equivalent to a share of supply of [15-25] per cent. This title will be licensed pursuant to the [ ]. The Target Business also publishes a smaller monthly magazine, *Gardens Illustrated*, which circulated approximately 260,000 copies in 2010. MyHobbyStore's monthly publication, *More From Your Garden*, has a circulation of approximately 140,000 copies.
30. The parties submitted that within the 'home interest/gardening' sub-segment there are 18 print-based special interest consumer magazine titles published by 14 separate publishers. All but three of the 18 publications are monthly titles, with the remainder comprised of two weekly titles and one quarterly title.
31. On the basis of a total circulation in the sub-segment of [five-10] million per year, the merged entity will account for [20-30] per cent of all copies of gardening magazines in the UK in 2010. The increment to the current share of the Target Business from MyHobbyStore is [zero-five]-[zero-five] per cent.
32. There are a number of strong gardening titles that will remain post-merger, including the most popular by copies sold, *The Garden*, published by the Royal Horticultural Society (RHS) with almost four million copies circulated in 2010. *The Garden* is a 'general interest' gardening magazine that is distributed on a monthly basis to all RHS members. It is also available to a limited extent through newstrade outlets.
33. The parties note that there is a lack of comprehensive independent third party data from which to estimate advertiser revenue data for all publishers of gardening magazine titles. Nevertheless, the parties estimate that the Target Business currently accounts for [20-30]-[30-40] per cent of advertising revenue generated from gardening magazines and MyHobbyStore currently accounts for [zero-five] per cent.
34. The OFT notes that no material third party concerns were raised regarding the transaction. Given the limited increment resulting from the transaction

and the existence of other strong players in the market, the OFT does not consider the shares of supply point to prima facie competition concerns. Nevertheless, the OFT has, on a cautious basis, gone on to consider the closeness of competition between the parties' titles.

#### Closeness of competition

35. The parties submit that their publications do not compete closely in terms of editorial content or advertising spend.
36. The Target Business' *Gardeners' World* title provides ideas, advice and inspiration on a wide range of gardening topics.<sup>19</sup> The magazine's target audience includes both 'keen' and 'marginal' gardeners, delivering a comprehensive range of features to help them garden successfully all-year-round. At least four other competing third party gardening magazines provide similar wide-ranging gardening content to 'keen' and 'marginal' gardeners, according to the parties, three of which are amongst the five most popular gardening magazines by circulation: *The Garden* (RHS), *Amateur Gardening* (IPC), *Garden News* and *Garden Answers* (both Bauer).
37. A number of these competing titles have differentiated themselves from *Gardeners' World* in different ways (for example, *The Garden* is available principally through subscription, and *Amateur Gardening* and *Garden News* are weekly publications). However, a significant number of other garden focused titles, while slightly less similar in editorial content, are also monthly<sup>20</sup> and are sold through a mixture of newsstand and subscription.
38. The Target Business also publishes *Gardens Illustrated*, which is a smaller publication with an approach based on providing editorial content focused on illustrations, photographs and advice regarding aspirational gardens. Archant Specialist publishes a title, *The English Garden*, which provides similar content to readers.
39. MyHobbyStore's *More From Your Garden* is a specialist 'grow-your-own' gardening magazine for 'keen' gardeners focusing on providing practical

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<sup>19</sup> The magazine works closely with the popular *Gardeners' World* television programme presented by Monty Don.

<sup>20</sup> Eight other monthly gardening titles pointed to by the parties have total circulation of more than 100,000.

advice to readers regarding how and what kinds of natural produce can be grown and cultivated in the garden for personal consumption. At least four other competing third party niche gardening magazine titles provide similar content for 'keen' gardeners to *More From Your Garden*, namely, *Grow Your Own* and *Let's Grow* (published by Aceville Limited), *Kitchen Garden* (published by Mortons Media Group), and *Grow It!* (published by Kelsey Publishing). With the exception of *Let's Grow!* (quarterly), each of these competing titles is a monthly publication with a larger newstrade circulation than *More From Your Garden*.

40. There is a limited amount of overlapping content between *Gardeners' World* and *More From Your Garden*. *Gardeners' World* has only limited content relating to growing produce and *More From Your Garden* has no significant illustrative/photographic content or editorial on other aspects of gardening. There is even less of an overlap between *Gardens Illustrated* and *More From Your Garden* given the specialist illustrative/aspirational content of *Gardens Illustrated*. This was confirmed by third parties who considered that there is little or no duplication between the parties' magazine content.
41. In terms of advertising, the parties provided a comparison of advertisers in recent editions of each of the magazines. Of the [40-50] advertisers that placed advertisements in the July 2011 edition of *More From Your Garden*, only [ ] ([five-10] per cent) featured in the July 2011 edition of *Gardeners' World*. Moreover, none of the top 10 advertisers (by revenue generated in the last financial year) in *More From Your Garden* was a top 10 advertiser with *Gardeners' World* or *Gardens Illustrated* (over the same period).
42. Given the limited overlapping content and the evidence available on advertising expenditure, the OFT does not consider the parties' gardening-focused titles to be particularly close competitors either from a reader's perspective or from an advertiser's point of view and as a result does not consider there to be a realistic prospect of a substantial lessening of competition in this area.

Print-based craft magazines

Shares of supply

43. The Target Business is the second largest publisher of crafts magazines, and publishes three magazine titles under the 'Origin' brand, namely *Card*

*Making and Papercraft, Quick Cards Made Easy* and *Vintage Cards*. These titles will be acquired on a permanent basis by Exponent. Together, the Target Business' titles accounted for [10-20] per cent newstrade sales revenues (£1.5 million) and [10-20] per cent of the number of copies circulated through newstrade.

44. MyHobbyStore publishes two craft magazines, *Popular Patchwork* and *Popular Crafts*. In 2010, these titles accounted for approximately [zero-five] per cent of the newstrade sales revenues and [zero-five] per cent of the number of copies circulated through newstrade.
45. The parties submitted that within the 'leisure interest/crafts' sub-segment, there are 45 print-based special interest consumer magazine titles published by 17 separate publishers. The majority of the titles are monthly or twice-monthly titles.
46. The OFT notes that the 'leisure interest/crafts' sub-segment includes a diverse range of titles and the merger is expected to result in a limited increment of [zero-five]-[zero-five] per cent. It is expected that the parties' titles will face competition post-merger from a variety of strong titles of other publishers. Aceville Limited is the leading publisher by revenue generated from newstrade sales, with four craft titles, including *Lets Make Cards* and *Lets Get Crafting* accounting for [25-35] per cent of newstrade sales revenues and [20-30] per cent of the number of copies circulated through newstrade. Other significant publishers in this sub-segment are Practical Publishing Limited and Future Publishing.<sup>21</sup>
47. The OFT notes that no third party concerns were raised regarding the transaction. Given the limited increment resulting from the transaction and the existence of other strong players in the market, the OFT does not consider the shares of supply point to prima facie competition concerns. Nevertheless, the OFT has, on a cautious basis, gone on to consider the closeness of competition between the parties' titles.

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<sup>21</sup> The parties note that there is a lack of comprehensive independent third party data from which to estimate advertiser revenue data for all publishers of gardening magazine titles. Nevertheless, the parties submit that the shares of advertising revenue of the main publishers of crafts magazines titles would not differ significantly from the shares of newstrade sales by volume and value.

## Closeness of competition

48. The parties submit that their publications do not compete closely in terms of editorial content or advertising spend.
49. From a reader's perspective the crafts titles published by the Target Business are each focused on 'card making'. They face extensive competition from a further seven 'card making' crafts magazine published by third parties: *Let's Make Cards* (Aceville Limited), *Papercraft Inspirations* (Future Publishing), *Simply Cards Crafts*, *Papercraft Essentials* and *Complete Cardmaking* (Practical Publishing), *Making Cards* (MagMaker) and *Cards* (unknown publisher). In contrast, the titles published by MyHobbyStore are focused on 'patchwork'. They face competition from other 'patchwork' crafts title published by a third party: *Patchwork & Quilting* (Traplet Publications). Both sets of titles also face competition from a further 12 'general crafts' magazines.
50. In terms of advertising, the parties confirmed that only one of the top 10 advertisers (by revenue generated in the last financial year) in *Popular Crafts* is also a top 10 advertiser in the Target Business' 'card making' crafts magazine titles (over the same period). None of the top 10 advertisers (by revenue generated in the last financial year) in *Popular Patchwork* is also a top 10 advertiser in any of the Target Business' 'card making' crafts magazine titles (over the same period). One third party advertiser noted that the parties' titles are complementary rather than competing directly against each other.
51. Given the limited overlapping content and the evidence available on advertising expenditure, the OFT does not consider that the parties' titles in the 'leisure interest/crafts' sub-segment to be particularly close competitors either from a reader's perspective or from an advertiser's point of view. The OFT therefore does not consider there to be a realistic prospect of a substantial lessening of competition in this area.

## **BARRIERS TO ENTRY AND EXPANSION**

52. The parties submitted that the barriers to launching a new print-based title in the gardening and craft sub-segments are low. In support of this view the parties confirmed that much of the editorial content for *More From*

*Your Garden* is [ ]. The parties therefore consider that a new entrant could readily procure editorial content on a similar basis in order to launch a new magazine title. Further, the parties submit that limited up-front investment is required to develop an advertiser contacts list and distribution can be obtained from third party distributors.

53. The parties also considered that the investment costs could be further limited in terms of expansion by an existing special interest consumer magazines publisher, which would be likely to have an existing (and possibly extensive) relevant advertiser contacts list from other special interest consumer magazine titles, as well as existing distribution arrangements.
54. Third party responses were mixed. A number of publishers commented that barriers to entry were low; that there is an initial cash investment required to launch a magazine but that it is possible to launch a magazine without an associated TV programme. Whilst the association gives the new title instant credibility due to existing consumer awareness and brand loyalty, it is considered that, despite these benefits, publishers can enter and compete without any show, event or charity supporting the title's brand. Another publisher commented that a TV show is important to the success of a brand in the field of gardening as demonstrated by the relative strength of *Gardeners' World*.
55. Whilst information provided by parties and third parties suggests that barriers to entry and expansion are relatively low, given the competitive assessment it has not been necessary to conclude on the extent of any entry barriers.

## **BUYER POWER**

56. The parties confirmed that the main retailers by which the parties' titles are sold in the UK are the grocery retailers/supermarkets and other larger magazine retailers, such as WH Smith and Martin McColl. The parties submit that over the past five years, grocery retailers have been increasingly limiting the amount of shelf-space within their stores that are dedicated to the sale of specialist titles, including gardening magazines which have to a certain extent been displaced in favour of other consumer magazines. The parties submit that in light of this, the major retailers act as

a significant competitive constraint on special interest consumer magazine publishers.

57. Given that no competitive concerns arise as a result of the merger, it has not been necessary for the OFT to conclude on buyer power.

## **VERTICAL ISSUES**

58. Due to the Target Business' shareholdings in Dovetail, Frontline, Seymour Distribution, and Seymour International, the OFT considered whether the parties have the ability and incentive to engage in input or customer foreclosure related to the parties' presence in distribution or subscription management.<sup>22</sup> However, the OFT notes that no merger-specific concerns on vertical foreclosure issues were raised by third parties.
59. The Target Business uses Frontline for the distribution of all of its consumer magazines in the UK, and Seymour International for distribution outside the UK. MyHobbyStore uses Seymour Distribution for distribution in the UK and a third party company, COMAG International – jointly owned by two competing publishing houses – for distribution outside the UK. Magicalia also uses a third party company, Marketforce, for distribution of its print-based magazines in, and outside the UK.
60. As regards subscriptions management services, both MyHobbyStore and Magicalia use third party companies, CDS Global and DSB, and CDS Global, respectively, while the Target uses Dovetail.

### **Input Foreclosure**

61. The OFT does not consider the parties' combined presence upstream – at a publishing house level, in any sub-segment or specifically in the publication of garden-focused or craft-focused titles – to be sufficient to confer on it, the ability to engage in the foreclosure of consumer magazines as an input to either, rival downstream distributors of Frontline or Seymour; or rival downstream subscription magazine companies of Dovetail. The limited merger increment upstream resulting from the merger is unlikely to have a significant effect on the business of downstream rivals.

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<sup>22</sup> See *Merger Assessment Guidelines*, Joint publication of the Competition Commission and the OFT paragraphs 5.6.13

62. As a result, the OFT does not consider there to be a realistic prospect of a substantial lessening of competition arising as a result of input foreclosure.

#### Customer Foreclosure

#### Distribution

63. The parties estimate that Frontline accounts for approximately [20-30] per cent of consumer magazines distribution in the UK and that Seymour Distribution accounts for approximately [10-20] per cent.
64. While together the Target will have a shareholding in companies that are responsible for [35-45] per cent of magazine distribution,<sup>23</sup> the parties submitted that Frontline does not supply distribution services to third parties; instead only distributing the magazines of its shareholders.<sup>24</sup> The OFT considers the small merger increment is unlikely materially to affect the parties' ability to foreclose upstream rivals' access to market by increasing distribution costs or refusing to supply.
65. Of the other publishers, which are shareholders in Frontline, only Bauer publishes a single weekly gardening title, Garden News, and none publish any craft titles, indicating the parties will be unlikely to have the ability to foreclose access specifically to other gardening publishers.
66. In addition, the parties identified a number of alternative consumer magazines distributors, including Marketforce (with an estimated [25-35] per cent of UK distribution), COMAG ([15-25] per cent) and Northern & Shell ([five to 10] per cent), which will continue to provide a downstream alternative to upstream publishers.<sup>25</sup> This was confirmed by third parties.
67. In relation to international distribution, Frontline does not distribute consumer magazines internationally. The parties estimate that Seymour

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<sup>23</sup> The parties submit that the Target has at the least material influence over Frontline, Seymour, Seymour International, and Dovetail, although highlights that it may not have full control over the operations of the companies.

<sup>24</sup> Frontline shareholders include Bauer, BBC Magazines and Haymarket.

<sup>25</sup> The OFT also note that many of the downstream distributors are owned or partially owned by the publishing houses themselves, indicating that there is some degree of vertical integration.

International accounts for approximately [20-30] per cent of the distribution of UK-published consumer magazines outside the UK.

68. The OFT therefore does not consider that post-merger, the parties will have the ability to engage in customer foreclosure in relation to distribution.

#### Subscription Management

69. The parties estimate that Dovetail accounts for approximately [15-25] per cent of consumer magazines subscriptions management services. The parties also identified a number of competitors who provide consumer magazines subscription management services, including CDS Global, AirBusiness, DSB and Alliance Media. Again, this was confirmed by third party responses. The parties also submitted that a number of consumer magazine publishers provide these services in-house. The OFT therefore considers that there are competing firms to provide this service such that the parties, post-merger will not have the ability to engage in customer foreclosure in subscription management.

### **THIRD PARTY VIEWS**

70. The OFT received comments from customers and competitors including publishers and advertisers. Third party views have been discussed in the decision where appropriate.
71. No material concerns were raised by third parties in relation to the merger. A number of publishers commented that they do not consider that the merger would make any material change to the nature of competition in the marketplace.

### **ASSESSMENT**

72. The parties overlap in the publication and sale of consumer magazines, specifically, the publication of print-based special interest consumer magazines focused on gardening and crafts. The increment resulting from the merger is minimal. Post-merger, the combined entity will be the third largest publisher of print-based consumer magazines in the UK with a [five-10]-[five-10] per cent share of sales in terms of value and volume. It is expected that a wide range of publishing houses will continue to provide a sufficient competitive constraint on the merged entity post-merger.

73. The OFT's investigation indicates that the parties' titles are not considered to be close competitors either from a reader's perspective or from an advertiser's point of view. In any event, there are a range of alternative publishing houses and magazines currently active in publishing both garden-focused and craft-focused magazines, which will continue to constrain the parties post-merger.
74. Due to the Target Business' shareholdings in Frontline and Dovetail, the OFT considered whether the parties have the ability or incentive to engage in input or customer foreclosure. Due to the limited increment resulting from the merger, the OFT considers that the combined entity will not have the ability to engage in input foreclosure. Further, the OFT considers that there are sufficient competing firms to provide this service such that the parties, post-merger will not have the ability to engage in customer foreclosure through its interests in Frontline, Seymour Distribution, Seymour International or Dovetail.
75. The OFT also notes that no material third party concerns were raised in relation to the transaction.
76. Consequently, the OFT does not believe that it is or may be the case that the merger may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

## **DECISION**

77. This merger will therefore **not be referred** to the Competition Commission under section 33(1) of the Act.

## **ENDNOTES**

1. In respect of paragraph 2, the parties informed the OFT that MyHobbyStore generated turnover in 2010 of £5.2 million.
2. In respect of footnote 3, the parties informed the OFT that **most** of the associated websites are to be included in the transaction.

3. In respect of paragraph 6(b), the OFT notes that the [ ] is not a title that will be licensed under the 40-year licence but will transfer to Exponent under the SPA. [ ] is an example of a title that will be licensed under the 40-year licence.
4. In respect of paragraphs 11 and 16, the OFT notes that MyHobbyStore currently uses Seymour Distribution for the distribution of its consumer magazine titles in the UK.
5. In respect of paragraph 65, the OFT notes that Bauer also publishes the monthly title *Garden Answers*. This clarification does not impact on the OFT's conclusions in this case.

**Annex 1: A list of the magazine titles included in the transaction.**

**THE MAGAZINE TITLES OF THE TARGET BUSINESS**

**UK print-based consumer magazine titles that are published by the target business**

<b>UK Consumer Magazine Title</b>	<b>Segment</b>	<b>Sub-segment</b>
Bob the Builder	Children's Magazines	Pre-School
Cbeebies Animals	Children's Magazines	Pre-School
Cbeebies Art	Children's Magazines	Pre-School
Cbeebies Specials	Children's Magazines	Pre-School
CBeebies Weekly	Children's Magazines	Pre-School
Charlie & Lola	Children's Magazines	Pre-School
In the Night Garden	Children's Magazines	Pre-School
Something Special	Children's Magazines	Pre-School
Toybox	Children's Magazines	Pre-School
Waybuloo	Children's Magazines	Pre-School
Zingillas	Children's Magazines	Pre-School
Doctor Who Adventures(Dr Who Monster Invasion Partwork)	Children's Magazines	Primary Boys
Girl Talk	Children's Magazines	Primary Girls
All About Animals	Children's Magazines	Pre-Teen
Top of the Pops	Children's Magazines	Pre-Teen
Who Do You Think You Are	General Interest	Misc. (General Interest)
Gardeners' World	Home Interest	Gardening
Gardens Illustrated	Home Interest	Gardening
Cardmaking and Papercraft	Leisure Interests	Crafts
Quick Cards Made Easy	Leisure Interests	Crafts
Vintage Cards	Leisure Interests	Crafts
Koi	Leisure Interests	Pets – Fish
BBC Wildlife	Leisure Interests	Wildlife
BBC Music	Music	Classical

<b>UK Consumer Magazine Title</b>	<b>Segment</b>	<b>Sub-segment</b>
BBC History	News & Current Affairs	Current Affairs – Domestic
Countryfile	News & Current Affairs	Current Affairs – Domestic
Focus	News & Current Affairs	Science
Knowledge	News & Current Affairs	Science
Sky at Night	News & Current Affairs	Science
220 Triathlon	Sport	Athletics
Match of the Day	Sport	Football – Youth
Radio Times	TV Listings	Radio & TV Listings
Blonde Hair	Women's Interest	Hair
Hair Ideas	Women's Interest	Hair
Your Hair	Women's Interest	Hair
Homes & Antiques	Women's Interest	Home Interest
Olive	Women's Interest	Home Interest
Cross Stitch Card Shop	Women's Interest	Needlecraft
Cross Stitch Crazy	Women's Interest	Needlecraft
Cross Stitch Favourites	Women's Interest	Needlecraft
Cross Stitch Gold	Women's Interest	Needlecraft
Enjoy Cross Stitch	Women's Interest	Needlecraft
The World of Cross Stitching	Women's Interest	Needlecraft
Home Style Sewing	Women's Interest	Sewing & Knitting
Knit Today	Women's Interest	Sewing & Knitting
Perfect Wedding	Women's Interest	Weddings & Brides

**UK online consumer magazine titles that are published by the Target Business and/or are associated with the Target Business' print-based consumer magazine titles<sup>26</sup>**

UK Consumer Magazine Title	Segment	Sub-segment
<a href="http://www.radiotimes.co.uk">www.radiotimes.co.uk</a> <a href="http://www.radiotimes.com">www.radiotimes.com</a> <a href="http://www.radiotimesbrochures.com">www.radiotimesbrochures.com</a>	TV Listings	Radio & TV Listings
<a href="http://www.gardenersworld.com">www.gardenersworld.com</a> <a href="http://www.gardenersworldmag.com">www.gardenersworldmag.com</a> <a href="http://www.gardenersworldmagazine.com">www.gardenersworldmagazine.com</a>	Home Interest	Gardening
<a href="http://www.gardensillustrated.com">www.gardensillustrated.com</a>	Home Interest	Gardening
<a href="http://www.whodoyouthinkyouarelive.co.uk">www.whodoyouthinkyouarelive.co.uk</a> <a href="http://www.whodoyouthinkyouaremagazine.com">www.whodoyouthinkyouaremagazine.com</a>	General Interest	Misc. (General Interest)
<a href="http://www.totpmag.com">www.totpmag.com</a>	Children's Magazines	Pre-Teen
<a href="http://www.girltalkmagazine.com">www.girltalkmagazine.com</a>	Children's Magazines	Primary Girls
<a href="http://www.220magazine.com">www.220magazine.com</a> <a href="http://www.220triathlon.co.uk">www.220triathlon.co.uk</a> <a href="http://www.220triathlon.com">www.220triathlon.com</a>	Sport	Athletics
<a href="http://www.motdmag.com">www.motdmag.com</a>	Sport	Football – Youth
<a href="http://www.hairideasmagazine.co.uk">www.hairideasmagazine.co.uk</a> <a href="http://www.loveyourhair.com">www.loveyourhair.com</a>	Women's Interest	Hair
<a href="http://www.homesandantiques.com">www.homesandantiques.com</a>	Women's Interest	Home Interest
<a href="http://www.olivemagazine.co.uk">www.olivemagazine.co.uk</a>	Women's Interest	Home Interest
<a href="http://www.enjoycrossstitch.com">www.enjoycrossstitch.com</a> <a href="http://www.enjoycrossstitch.co.uk">www.enjoycrossstitch.co.uk</a>	Women's Interest	Needlecraft
<a href="http://www.theworldofcrossstitching.com">www.theworldofcrossstitching.com</a>	Women's Interest	Needlecraft
<a href="http://www.cross-stitching.com">www.cross-stitching.com</a>	Women's Interest	Needlecraft
<a href="http://www.knittoday.co.uk">www.knittoday.co.uk</a> <a href="http://www.knittodaymagazine.com">www.knittodaymagazine.com</a> <a href="http://www.knit-today.com">www.knit-today.com</a>	Women's Interest	Sewing & Knitting
<a href="http://www.weddinginvitesmag.co.uk">www.weddinginvitesmag.co.uk</a>	Women's Interest	Weddings & Brides

<sup>26</sup> A number of additional active domain names will transfer to Exponent from BBCW that are not linked to BBCW's print-based consumer magazine titles, including [www.buysubscriptions.com](http://www.buysubscriptions.com) (a website that links to the Target Business' website hosting subscriptions to its magazine titles, [www.bbcsubscriptions.com](http://www.bbcsubscriptions.com)), [www.craftnetwork.com](http://www.craftnetwork.com) (an e-commerce website for handcrafted goods that is operated by a US company, Craftnetwork LLC), [www.cineworlddigital.co.uk](http://www.cineworlddigital.co.uk), [www.craftbubble.com](http://www.craftbubble.com) (a social networking site for the crafting community to swap ideas and designs), [www.magazine-services.co.uk](http://www.magazine-services.co.uk), [www.nissanmicra-cityguide.com](http://www.nissanmicra-cityguide.com), [www.nissanmicracityguides.com](http://www.nissanmicracityguides.com), [www.nissanmicra-cityguides.com](http://www.nissanmicra-cityguides.com), [www.origincraftawards.com](http://www.origincraftawards.com), [www.originpublishing.co.uk](http://www.originpublishing.co.uk) and [www.originpublishing.com](http://www.originpublishing.com).

<b>UK Consumer Magazine Title</b>	<b>Segment</b>	<b>Sub-segment</b>
<a href="http://www.weddinginvitesmag.com">www.weddinginvitesmag.com</a>		
<a href="http://www.planyourperfectwedding.com">www.planyourperfectwedding.com</a>	Women's Interest	Weddings & Brides
<a href="http://www.cardmakingandpapercraft.com">www.cardmakingandpapercraft.com</a>	Leisure Interests	Crafts
<a href="http://www.craftextra.co.uk">www.craftextra.co.uk</a> <a href="http://www.craftsxttra.co.uk">www.craftsxttra.co.uk</a> <a href="http://www.craftxttra.com">www.craftxttra.com</a> <a href="http://www.craftxttra.co.uk">www.craftxttra.co.uk</a>	Leisure Interests	Crafts
<a href="http://www.koimag.co.uk">www.koimag.co.uk</a>	Leisure Interests	Pets – Fish
<a href="http://www.discoverwildlife.com">www.discoverwildlife.com</a>	Leisure Interests	Wildlife
<a href="http://www.countryfile.com">www.countryfile.com</a>	News & Current Affairs	Current Affairs - Domestic
<a href="http://www.historyextra.com">www.historyextra.com</a>	News& Current Affairs	Current Affairs - Domestic
<a href="http://www.knowledgemagazine.com">www.knowledgemagazine.com</a>	News & Current Affairs	Science
<a href="http://www.skyatnightmagazine.com">www.skyatnightmagazine.com</a> <a href="http://www.skyatnightonline.com">www.skyatnightonline.com</a>	News & Current Affairs	Science
<a href="http://www.sciencefocus.com">www.sciencefocus.com</a> <a href="http://www.focusmag.co.uk">www.focusmag.co.uk</a>	News & Current Affairs	Science
<a href="http://www.classical-music.com">www.classical-music.com</a>	Music	Classical

## MAGICALIA'S MAGAZINE TITLES

### UK print-based consumer magazine titles that are published by Magicalia

UK Consumer Magazine Title	Segment	Sub-segment
Junior	Women's Interest	Parenthood
Practical Parenting	Women's Interest	Parenthood

### UK online consumer magazine titles that are published by Magicalia<sup>27</sup>

UK Consumer Magazine Title	Segment	Sub-segment
<a href="http://www.visordown.com">www.visordown.com</a>	Motoring and Motorcycling	Motorcycling-General
<a href="http://www.outdoorsmagic.com">www.outdoorsmagic.com</a>	Leisure Interests	Camping/Walking/Climbing
<a href="http://www.golfmagic.com">www.golfmagic.com</a>	Sport	Golf
<a href="http://www.madeformums.com">www.madeformums.com</a>	Women's Interest	Parenthood

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<sup>27</sup> Magicalia also provides internet-hosting services for [www.runnersworld.co.uk](http://www.runnersworld.co.uk) (including [www.triathletesworld.co.uk](http://www.triathletesworld.co.uk)) and [www.zest.co.uk](http://www.zest.co.uk).

## MYHOBBYSTORE'S MAGAZINE TITLES

### UK print-based consumer magazines that are published by MyHobbyStore<sup>28</sup>

UK Consumer Magazine Title	Segment	Sub-segment
Radio Controlled Models & Electronic	Leisure Interests	Radio Controlled Modelling
Military Modelling	Leisure Interests	Modelling
Model Boats	Leisure Interests	Modelling
Model Collector	Leisure Interests	Modelling
Model Engineer	Leisure Interests	Modelling
Model Engineers Workshop	Leisure Interests	Modelling
Stamp Magazine	Leisure Interests	Collecting
Hi-Fi News	Leisure Interests	Hi-Fi
Popular Crafts	Leisure Interests	Crafts
Popular Patchwork	Leisure Interests	Crafts
More From Your Garden	Home Interest	Gardening
Good Woodworking	Home Interest	Woodworking
Practical Woodworking	Home Interest	Woodworking
The Woodworker	Home Interest	Woodworking
Jumbo Cross	Puzzle Magazines	Puzzles - Crosswords
Logical Challenge	Puzzle Magazines	Puzzles – Logic Titles
Total Sudoku	Puzzle Magazines	Puzzles – Logic Titles
Puzzle Monthly	Puzzle Magazines	Puzzles – Mixed Content

### UK online consumer magazines published by MyHobbyStore

UK Consumer Magazine Title	Segment	Sub-segment
<a href="http://www.militarymodelling.com">www.militarymodelling.com</a>	Leisure Interests	Modelling
<a href="http://www.modelflying.co.uk">www.modelflying.co.uk</a>	Leisure Interests	Modelling
<a href="http://www.modelboats.co.uk">www.modelboats.co.uk</a>	Leisure Interests	Modelling
<a href="http://www.model-engineering.co.uk">www.model-engineering.co.uk</a>	Leisure Interests	Modelling
<a href="http://www.modelcollector.co.uk">www.modelcollector.co.uk</a>	Leisure Interests	Modelling
<a href="http://www.stampmagazine.co.uk">www.stampmagazine.co.uk</a>	Leisure Interests	Collecting
<a href="http://www.hifinews.co.uk">www.hifinews.co.uk</a>	Leisure Interests	Hi-Fi
<a href="http://www.gardening.co.uk">www.gardening.co.uk</a>	Home Interest	Gardening
<a href="http://www.getwoodworking.com">www.getwoodworking.com</a>	Home Interest	Woodworking
<a href="http://www.popularcrafts.co.uk">www.popularcrafts.co.uk</a>	Leisure Interests	Crafts
<a href="http://www.popularpatchwork.co.uk">www.popularpatchwork.co.uk</a>	Leisure Interests	Crafts

<sup>28</sup> MyHobbyStore also publishes an annual issue of *Jumbo Cross Collection*.